



Mr. Rajesh Kumar Sethi  
Chair, CDM Executive Board  
UNFCCC Secretariat  
CDMinfo@unfccc.int

14<sup>th</sup> October 2008

Dear Mr. Sethi,

**Re: Request for review of the issuance request of “Aços Villares Natural gas fuel switch project” (UNFCCC Ref. no. 1037).**

SGS has been informed that the request for issuance of the CDM project activity “Aços Villares Natural gas fuel switch project” (UNFCCC Ref. no. 1037) is under consideration for review because three requests for review have been received from members of the Board.

The requests for review are based on the reasons outlined below. SGS would like to provide an initial response to the issues raised by the request for review:

**Request for Review 1-3, Issue 1:**

*In the project scenario, to achieve equivalent steel output requires much less (around half) energy as compared to baseline scenario. Further clarification is required on how the DOE verified that fuel switching in the project activity does not focus primarily on energy efficiency, as required by this applied methodology AMS-III.B. v10.*

**SGS' Response to Issue 1:**

Methodology AMS III.B states that “this category comprises fossil fuel switching in existing industrial, residential, commercial and institutional or electricity generation applications. Fuel switching may change efficiency as well. If the project primarily aims at reducing emissions through fuel switching, it falls into this category. If fuel switching is part of a project activity focussed primarily on energy efficiency, the project activity falls in category II.D or II.E.”

The project activity according to the registered PDD is a fuel switch project based on equipment fuel conversion. The conversion is related to adaptations and modifications in the fuel burners, allowing the consumption of natural gas instead of fuel oil, LPG or electricity in furnaces, boilers and other equipment used in the process of iron casting, lamination and other thermal treatments as parts of steel bobbins production process.

The project was validated and registered as a fuel switching project and thus the DOE understands that the focus of the project is fuel switch. As seen above, the methodology states that fuel switching may affect production efficiency but it does not require this change to be monitored. Therefore, the DOE does not see this as a verification requirement.

We hope that all concerns of the EB have been satisfactorily addressed through the explanations provided above. We do however apologize if this was not sufficiently clear from the verification and certification report.



Fabian Goncalves (+55 11 3883 8887) will be the contact person for the review process and is available to address questions from the Board during the consideration of the review in case the Executive Board wishes.

Yours sincerely,

Irma Lubrecht

Technical Reviewer

[Irma.lubrecht@ir-on.nl](mailto:Irma.lubrecht@ir-on.nl)

T: +31651851777

Fabian Goncalves

Lead Assessor

[Fabian.Goncalves@sgs.com](mailto:Fabian.Goncalves@sgs.com)

T: +55 11 3883 8887